



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 10/14/2005

GAIN Report Number: MX5093

Mexico

Agricultural Situation

Weekly Highlights and Hot Bites, Issue #35

2005

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Report Highlights:

- SUGAR CANE PRODUCERS BLOCK MILLS AGAIN
- NAFTA: A DREAM THAT BECAME A NIGHTMARE
- INTERNATIONAL AND DOMESTIC COFFEE MARKETS AFFECTED BY HURRICANE STAN
- MARKET OPENING IN 2008 THREATENS 18 MILLION FARMERS
- MI CHOACAN GROWERS FEAR DECREASING YIELDS ON CORN AND SORGHUM
- SORIANA SUPERMARKET CHAIN TO ESTABLISH CONVENIENCE STORE DIVISION
- BANCOMER LAUNCHES NEW AGRICULTURAL SECTOR PRODUCT

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
[MX]

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

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SUGAR CANE PRODUCERS BLOCK MILLS AGAIN

Due to a number of court injunctions filed by the Mexican sugar refining industry, Mexican sugar cane growers have once again blocked sugar mills across the country. Secretary of Agriculture, Francisco Mayorga, confirmed that the 23 sugar mills under the government's control have requested a court injunction against the new Sugar Law. Mayorga stated that the court injunctions are necessary because the sugar legislation violates Mexico's WTO obligations by mandating non-transparent subsidies to the sugar industry. Mayorga also pointed out that the sugar law calls for certain types of price agreements, which are prohibited by the Mexican Economic Competition Law. Besides the government run refineries, 26 of the 35 private sugar mills filed court injunctions against the Sugar Law as well. The government is working to convince the sugar cane associations that the court injunction procedures are in place to "protect the interest of the entire sector", and not to influence negotiations that are currently underway with the Secretariat of Internal Government Affairs and Agriculture. (Source: Financiero 10/12/05)

NAFTA: A DREAM THAT BECAME A NIGHTMARE

Campesino National Confederation (CNC) leader, Heladio Ramirez, asked Peruvian Minister of Agriculture, Manuel Manrique, to "Take a look in the mirror as if you were the Mexican *campesino* sector", before signing a free trade agreement with the United States. "Watch for the agreements, because for Mexico—one decade after the NAFTA signature—the only results of free trade have been poverty, unemployment, and migration." In a similar vein, Diodoro Carrasco, former Secretary of the Interior and current member of the CNC technical council, explained that NAFTA was signed in 1994 with the primary objective of increasing exports and to attract foreign investment for the domestic agricultural sector. He concluded that after 11 years, "the results have been dreadful." CNC leaders remarked that during the past ten years Mexico has lost 41 percent of its food self-sufficiency, currently buys 18 million metric tons of forage grains annually, and 2 million *campesinos* have abandoned their land. (Source: Excelsior, La Jornada; 10/10/2005)

INTERNATIONAL AND DOMESTIC COFFEE MARKETS AFFECTED BY HURRICANE STAN

The international coffee markets have begun to feel the fallout of Hurricane Stan. Alfredo Moises Calleja, president of the Mexican Association of Coffee Exporters, explained that, "The domestic coffee supply will decrease 20 percent. We are also forecasting a price

increase of between 10 to 15 percent for the next two months." Prior to Stan's strike, the southern state Chiapas supplied nearly 40 percent of total domestic production. The production capacity in Chiapas has fallen considerably, and, as a result, Mexican producers may not be able to fulfill their supply contracts with firms in the United States and the European Union. (Source: Reforma; 10/12/2005)

MARKET OPENING IN 2008 THREATENS 18 MILLION FARMERS

Hector Fanghanel-Hernandez, former ASERCA Coordinator, warned that if the GOM does not take drastic measures to protect corn and dry bean growers before the 2008 market opening, approximately 18 million growers will be unemployed and without any means of survival. He made an urgent call to the GOM, lawmakers, and rural organizations leaders to create new agricultural policies which incorporate protection for the grain and oilseed sectors. ASERCA is a decentralized governmental body providing support to agricultural growers. (Source: La Jornada; 10/10/2005)

MICHOACAN GROWERS FEAR DECREASING YIELDS ON CORN AND SORGHUM

Growers in Zamora, Michoacan, are predicting a considerable decline in yields due to this year's drought. Michoacan Agricultural Development Director, Guillermo Servin-Gallegos, emphasized that there is a great concern among the growers because of the bad weather conditions. He stated that 11,000 hectares of corn and sorghum were planted in the Zamora valley. According to Servin, under normal weather conditions yields of this area are between 10 -12 tons per hectare, but this year these yields will be significantly lower. (Source: (AMEPA News; 10/11/2005)

SORIANA SUPERMARKET CHAIN TO ESTABLISH CONVENIENCE STORE DIVISION

Soriana, a Monterrey based retailer with over 160 outlets nationwide, opened its first "Super City" convenience store in Monclova, Coahuila. According to Pedro Mejía, Soriana's Planning Director, Super City stores will expand to a number of other cities in 2006. Mr. Mejía stated that the Super City convenience store concept is similar to competitors such as 7-eleven and Oxxo. Super City's business strategy allows for direct operation from Soriana or by franchise management. With the incorporation of Super City, Soriana now covers four distinctive distribution channels and is the second largest retailer in Mexico behind Wal-Mart. (Source: El Norte, October 13, 2005)

BANCOMER LAUNCHES NEW AGRICULTURAL SECTOR PRODUCT

This week BBVA Bancomer Bank launched a new credit program, designed for the agricultural sector, intended to reduce the wait time for loan disbursement by 30 to 40 percent. If successful, this new product may make BBVA the largest agricultural credit company in Mexico by 2010, with a projected budget of \$28.7 billion pesos (\$2.6 billion USD equivalent). "We intend that one out of every four agricultural credit lines are handled by Bancomer," stated Jose Salgado, Bancomer Northeast Regional Director. The program is designed for agricultural and food-related enterprises. (EL NORTE, OCT. 10).

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

MX5095	Trade Policy Monitoring Report	10/14/05
MX5094	Mexico Announced The White Corn Allocation Rules For 2005	10/14/05
MX5092	Strawberries Annual	10/14/05
MX5090	Weekly Highlight and Hot Bites, Issue #34	10/04/05
MX5089	Mexico to Issue Import Permits for U.S. Fructose	10/04/05
MX5088	Weekly Highlights and Hot Bites, Issue #33	9/28/05
MX5087	Preliminary Dumping Duty - Apples	09/30/05
MX5086	Export Certificate Report	09/29/05
MX5085	Sugar Semi-Annual	09/23/05
MX5084	Weekly Highlights and Hot Bites, Issue #32	09/23/05
MX5083	Weekly Highlights and Hot Bites, Issue #31	9/19/05
MX5082	Mexico Announces the TRQ for Feeder Cattle Imports from Countries with Animal Health Agreements Celebrated with Mexico	9/19/05
MX5081	Mexico Establishes 2005 Additional Volume on Out-of-Quota Milk Powder Imports	9/12/05

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